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**On the existence and sustainability
of organizational alternatives to the dominant PSF model:
crisis and change in a democratic consulting firm**

Full paper submitted to sub-theme 3 (SWG):

Professional Service Organizations and Knowledge-Intensive Work

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Abstract

In this paper, we contribute to the study of the heterogeneity of professional service firms through an extreme case, by investigating the conditions of the existence and sustainability of democratic forms of organizing in a professional setting. To do so, we studied DemEx, a long-standing mid size consultancy, over the course of three years and three consecutive intervention researches. At the time, DemEx was confronted to dramatic changes in client demands, which led to both a competency and a governance crisis, questioning the democratic essence of the company's functioning. We show how the crisis was overcome thanks to a move from an "individual craft" model to a refashioned organization obtained through the development of career management, the creation of expertise groups and executive governance which also redefined and redynamised the democratic functioning. We finally discuss the conditions of DemEx's alternative organization and its sustainability through the crisis and shed light on five key factors: environment, strategy, history, membership and capacities to organize exploration and re-design.

Introduction

Classical studies of professions exhibit figures of autonomous professionals (eg. Carr-Saunders 1928; Gouldner 1957-58). But this representation of professionals as independent and autonomous is mainly outdated since a large majority of professionals work in organizations (Johnson 1972; Barley and Tolbert 1991), which are usually labeled Professional Service Firms (PSF). There has then been an urge to focus research on the organizations in which professionals work since their number and size have grown over time (Johnson 1972; Greenwood, Suddaby et al. 2006) and present distinctive characteristics, the major one being collegiality (Greenwood, Hinings et al. 1990; Lazega 2001).

The aim of this paper is to contribute to the study of the heterogeneity of PSFs. Recent pieces of work have opened up interests for studying and explaining the variety of PSFs organizational forms and their evolution (Greenwood and Empson 2003; Empson and Chapman 2006; Malhotra, Morris et al. 2006; Malhotra and Morris 2009; Malhotra, Morris et al. 2010; von Nordenflycht 2010; Kipping and Kirkpatrick Accepted for publication). The paper focuses on the possible existence of firms which seek to challenge the more traditional organizational model of PSFs, namely a collegial oligarchy and a hierarchy of apprenticeship associated with an up-or-out system (Maister 1993; Greenwood and Empson 2003). The evolution of some PSFs towards 'corporatization' has been studied and represents most of the moves from the original organizational form (see for example Cooper, Hinings et al. 1996; Brock, Powell et al. 1999). The other alternative organizing way is the one that contests the hierarchical functioning of PSFs and the working conditions that have been criticized early after the implementation of the classic model (Hobson 1986). But, while professional work presents a favorable setting for democratic organizing (Mintzberg 1983; Rousseau and Rivero 2003; Harrison and Freeman 2004), examples of such PSFs remain unstudied.

The paper investigates the conditions and factors for the existence and the sustainability of democratic PSFs over time. We draw on a longitudinal case-study of a mid-size consulting PSF of which we examine the recent crises and regeneration processes.

The rest of the paper is structured as follows: first, a literature review presents the challenges to the existence and sustainability of alternative PSF organizations. Then we present the specific method used to study an example of democratic PSF, DemEx. A third section

presents findings from the case study. The discussion examines the factors that contribute to explain the sustainability of DemEx in a context of change.

1. Are alternative models of PSFs possible and sustainable?

A dominant organizational model in PSFs

A dominant organizational form exists among PSFs and is known as the "Cravath model" (Hobson 1986; Abbott 1988; Tolbert and Stern 1991; Nelson and Trubek 1992). It emerged in the first years of the 20th century in US law firms and was formalized by Paul D. Cravath, partner at the eponymous PSF in 1906 (Swaine 1946; Swaine 1948). Previous organizations of partnership were offices of small sizes, composed of autonomous partners working with a few clerks and unpaid "would-be" lawyers. Most of the work was litigation and pleadings within a limited regulated environment. But the situation and the clients' needs changed dramatically at the end of the 19th century due to the second Industrial Revolution, the birth of big corporations, the development of law schools and business law. It spurred a new way of organizing: young promising graduates were recruited and employed full-time (a novelty at that time) in order to work hard for clients, to develop their competences, and the hope of being co-opted as partners. Partners were in charge of relations with clients and the division of labor between the associates. It was then a hierarchy of apprenticeship and a mean to test ambition and loyalty to the firm. Partnership became a mean to retain the best associates as peers.

The Cravath model quickly expanded and was adopted by a lot of law firms working with businesses in the first 20 years of the 20th century. The division of work revealed a competitive advantage to respond to clients' needs and it became the standard in this industry (Galanter and Palay 1992) and in professional services as a whole (Hinings, Brown et al. 1991; Pinnington and Morris 2002; McKenna 2006). It remains a dominant model in 'classic PSFs', namely services in regulated professions (von Nordenflycht 2010), even if more corporate-like PSFs have developed in more recent professional organizational fields (Kipping and Kirkpatrick Accepted for publication) or in professions constrained by market and institutional transformations (see on the case of accounting Malhotra, Morris et al. 2006).

Criticisms but few studies of alternative experiences

But with the diffusion of the model, we may have overlooked the fact that it did not happen without criticisms and is still questioned. In the period following the introduction of the original Cravath PSF model's diffusion, professionals argued in Bars in different American cities on the work de-professionalization and on the transformation of law offices in "law factories" in order to enhance the profitability at the expense of service quality, and as an ethical 'enslavement' to Big Businesses (Hobson 1986; Galanter and Palay 1992). These criticisms did not hinder the diffusion of the Cravath model as a dominant organizational design archetype (Greenwood and Hinings 1988).

More recent criticisms have pointed out that such a tournament system relies heavily on individual evaluation although knowledge work is precisely very difficult to assess (Alvesson 1993; Alvesson 2000), which cannot but exacerbate competition and pressure among the teams (Brunel 2004; Noury, Gand et al. 2012).

As a result, some PSFs explored more or less radical alternative organizational models. Recent studies have underlined that some PSFs and PSF industries have adjusted the up-or-out and partnership accession rules (Morris and Pinnington 1998; Malhotra, Morris et al. 2010) by creating alternate "non-partner" roles and yet maintaining the motivational power of the Up-or-Out system. Galanter and Palay (1991) reported two examples of more radical alternative law firms in the USA¹, which were elaborated on different values. First, the two of them tried to organize a better work/life balance. Secondly, they are organized with reduced hierarchies and sustain equality and participation. They look for "extended collegiality" compared to oligarchic collegiality (Russell 1985). The latter has sometimes been downplayed and studied *per se* as collegiality in opposition to bureaucratic organizations (Waters 1989; Lazega 2001).

Lately, academic concerns about PSFs have focused a lot on explaining the heterogeneity and variety of forms among different professional services over time (Malhotra, Morris et al. 2006; Malhotra and Morris 2009; von Nordenflycht 2010; Kipping and Kirkpatrick Accepted for publication). In parallel to studies that focus on the adaptation of the up-or-out model or the development of corporate-like PSFs, the aim of this paper is to provide contributions on

¹ Holland and Hart (founded in 1947 in Denver, 220 lawyers at that time) and Anderson Russell (76 lawyers in 1986)

the possibility for democratic PSFs, as radical alternatives to conventional PSFs, to exist, develop and to be sustainable over time. The interest of this approach is to complete existing representation of PSFs organizing alternatives, through an extreme case. In doing so, we expect to understand the conditions and factors that make such radical alternatives possible, but also to discuss theories of change in PSFs. Following Kipping and Kirkpatrick recent study (Kipping and Kirkpatrick Accepted for publication), it can also contribute to explain how alternative pathways of organizing appear and develop in the margins of professions.

Professional services, as knowledge-intensive and autonomous work, have been mentioned as a good candidate for democratic settings (Mintzberg 1983; Sainsaulieu, Tixier et al. 1983). But empirical studies remain unknown, questioning the conditions of existence and sustainability of possible democratic PSFs.

Challenges to such organizational projects appear to be numerous. Would they be restricted to small groups of expert peers (Lowendahl 2005)? Galanter and Palay note difficulties when differentiation between professionals grows (Galanter and Palay 1991). Is it possible to resist institutional isomorphism (DiMaggio and Powell 1983) and to adopt alternative organizing in organizational fields prescribing dominant institutional logics (Pache and Santos 2010)? In a period of general change and adaptation for most PSFs (Greenwood and Lachman 1996; Powell, Brock et al. 1999), can such organizations move from existing practices and organizational models, innovate and adapt to demands from customers or the institutional environment? Consequently, would alternative PSFs be condemned to restricted forms of organizing and to low performance in order to embody their democratic values?

Whereas studies of alternative democratic organizations have too often been structured with "pro-or-con" approaches, our aim is interpretive in the sense of understanding and theorizing conditions and factors for (un)sustainable democratic PSFs. To do so, we will draw on the study of a long-standing mid-size democratic PSF, which grew a lot in its history but was confronted to change demands in the 2000s.

2. Method

Research settings

DemEx² is a French consultancy with about 400 employees, which provides economic expertise and consulting services to French and European works' councils. This profession has a distinctive features in France (compared to most countries of the European Union) since it is regulated: from its creation in 1945, such services have to be delivered by chartered accountants as required by employment law. In practice, the market is mainly occupied by specialized PSFs, which are dedicated to such services and do not exercise classic accounting or audit activities. The range of services covered by the law has been enriched over time from reviews and analysis of accounts for works' councils to interventions in difficult economic situations, in restructurings, or in mergers.

At the creation of DemEx in 1971, the founders chose to base the organization on 'self-management' principles, as a rejection of managerial hierarchy and capitalist governance. At that time, self-management was seen as a promising perspective by some trade unions and left-wing political parties in France (Rosanvallon 1976) and more generally in Western countries (Slater and Bennis 1969). Since then, DemEx has been organized democratically, which means that management functions are subject to elections, that different assemblies discuss strategic and management issues. Every mandate is rotating, limited to 2 or 3 times with terms lasting 2 or 3 years.

Concretely, the PSF is structured in 17 autonomous business units (BU), geographical or sectoral, which deliver the service to clients, ranging from 10 to more than 50 members. The members of each unit elect their managers and different additional directors according to their needs (recruitment, finance, computing...). At the corporate level, a general assembly of the members elects every 3 years an executive board of 4 managers in charge of running the firm on the basis of a voted corporate platform. A supervisory board is elected at the same time, and a 'committee of sages' is in charge of the application of the 'constitution' of the firm.

² The company name is anonymized.

Intervention research in a democratic consulting firm

DemEx was studied with a collaborative research approach (Shani, David et al. 2003). Two of the co-authors engaged in an intervention research with the PSF during three years starting from 2005. An intervention research method was designed in answer to a demand to study this atypical PSF and the issue of sustainability (Hatchuel and David 2007; Radaelli, Guerci et al. 2012). Intervention research offers good opportunity to reveal the in-depth functioning of organizations through the design of models of collective action, which contribute to dealing with the organizational issues at stake and at the same time reveal the deep functioning of the organization. It presents good potential to account for developing processes of change by studying action and the development of new management models (Radaelli, Guerci et al. 2012). It is appropriate to study the internal functioning of PSFs from within, as it has been recently suggested (Suddaby, Greenwood et al. 2008).

The starting point of the collaborative research with DemEx was rather blurry and more a symptom than a clear definition of issues. Board managers felt consultants had difficulties in managing the evolution of the business and the competencies to deal with. From that symptom, which was confirmed with 5 preliminary interviews with experienced consultants and HR managers, a series of 3 intervention-researches happened successively. One condition exposed by the board managers was to consider organizational evolutions preserving the democratic functioning. The first intervention research aimed at diagnosing the origins of the 'competency' crisis and at proposing perspectives of evolution. The second one relied on the precedent in order to develop organizational solutions towards collective knowledge management. The third one was not anticipated at first. It was about the interpretation of a governance crisis that happened during the course of our work (in 2006) and to elaborate adapted governance structures to the changing organization and environment.

The table in Appendix A. synthesizes the topics, the data production and interpretation, and the outcomes for each intervention research. In the next section, we present findings out of the three researches to propose an overall description of the change patterns which occurred in DemEx.

3. Crises and processes of adaptation in a democratic PSF

Performance crisis or democratic crisis?

Since its foundation, DemEx has developed with a traditional model of professional apprenticeship. The professionals that are hired have diversified backgrounds: they hold degrees ranging between Master's and doctorate, which can be in various disciplines, for instance history, law, economics or management. Attention is paid to the commitment of potential recruits to service orientation and to their integration in a democratic functioning. Once they are recruited, consultants engage in an apprenticeship process, which lasts around three years and consists in a mix of training sessions and supervised assignments. The aim is to generate fully-autonomous consultants. Even if it does not mean consultants then stop learning, this representation of the autonomous professional was aligned with the 20 first years of DemEx existence: a rather stable environment with enough time to learn individually. It was also in line with the tasks and the division of labor: in broad outline, works' councils demands were mainly on retrospective analysis in order to prepare wage negotiations and work was divided *a priori* between consultants in four sections of expertise (financial analysis, management accounting, strategy and, HR analysis). This kind of autonomous professional work is favorable to a democratic setting for two reasons. First it fosters the creation of a collective of peers, having similar practices and assignments and therefore governing by collegiality. Second, the management of DemEx was rather limited to assignments, recruitments and initial apprenticeship. The pay system was also aligned with a "earn-what-you-bill" logic. Therefore it necessitated less complex organizations compared to more coordinated works.

Progressively from the 1980s, changes in the demands and the needs of clients occurred. Issues raised concerned less wage negotiation and more employment. It changed demands from retrospective to prospective analyses. It consequently extended the scope of required expertise and obliged to cross different perspectives of analysis in order to produce recommendations. At the same time, competition increased and there were incentives to demonstrate added-value. In the environment of DemEx, trade unions play a particular role since they can recommend a particular a PSF to works' councils. Distinctive quality matters to demonstrate to clients and prescribers that the services provided add value to understand issues and frame their action. It generated a progressive obsolescence of the initial work system and initiatives emerged to cope with the new challenges. They consisted of non-

official specialization through assignments and the development of expertise groups. The latter gathered professionals involved in specific issues or industries in order to cross their analyses over industries in meetings, in order to produce strategic notes out of the assignments. In other words, this was a process of emerging knowledge management and differentiation between the professionals.

These classical answers in professional settings raised conflicts and arguments on the legitimacy and the equity between professionals regarding these practices. There was a fear that some professionals would "privatize" clients. For example, the conditions of inclusion in an expertise group were not clear. Some industries were also more developed and offered better professional interest, work conditions and/or pay perspectives. The limits of a too narrow specialization were also debated, for the same "privatization" risk, and for the need to maintain relatively versatile professionals. The democratic basis of initiatives relying only on a professional rationale was at stake. Was the democratic functioning about to become "formal" through vote procedures or was there the need for a more general regulation of organizing? The expertise groups were particularly contested since their directors were not elected, but at the same time competence was determinant to run such groups. It then appeared difficult to find a trade-off between performance enhancement and democratic functioning.

In parallel, and at first sight non-linked to the competency crisis, a governance crisis occurred. Successive elected executive boards resigned before the end of their mandates. Different arguments emerged to try to explain the un-sustainability of executive functions. In general assemblies, meetings and on the Intranet forum, arguments focused on two rationales. The first one focused on the fact that once elected, executives tended to organize "oligarch" derives and became more and more contested. They considered that a lack of democratic regulation to power positions reinforced the difficulty of managing the firm. The other one focused on the needed evolution of the organization to meet new challenges, maybe at the expense of collegiality. What mattered the most was to recognize the need to adapt the organizational structure to business constraints. In this context, organizational democracy was maybe un-sustainable and counterproductive to service quality. Could democratic governance be compatible with a manageable and competitive organizational functioning? While governance crises had already occurred in the history of the firm, they had had no direct influence on service production in everyday work. This time, the issue at stake, was the

overall capacity of the firm to organize the quality of its services in order to be competitive within a democratic setting.

Designing a new model of cooperation

From previous research and the first intervention research (see table 1. for details), a consensus emerged on the need to overcome the existing individualistic form of organizing, that we labelled 'intellectual craft', and to elaborate and legitimate emerging practices in a potentially refashioned democratic setting. It took place in three main different ways: career management, expertise groups, and executive governance.

Career management was previously absent of management, except for initial apprenticeship. Short-term assignments were the official rule. An issue was to legitimate relative specialization and to embody democratic regulation in it. A system of yearly interviews was designed and implemented through a co-joint work of some members and the research team. Driven by BU's managers, its objectives were threefold: working on mid-term assignment policies with an articulation between the professional's wishes and the organizational needs; contributing to the elaboration of a strategy in nourishing the manager with potential development initiatives from the professionals; offering a public, justified and a discussable synthesis of assignments choices. The "privatization" issue was then managed: the disclosure of assignments' choices embedded in strategic orientations opened the door to informed democratic debates in group's meetings, where eventually such orientations should be validated. This information and discussion allowed to justify the design of mid-term career with partial specialization through successive assignments.

The initiative on career management was also needed to develop more efficient and legitimate expertise groups. The heterogeneity of expertise groups was acknowledged (activities, size), and it was a source of conflict. There was an impression of anarchical practices and heterogeneity was perceived as a problem, essentially because of the opaqueness of the structures. Behind that lied the need to fit such groups in a general democratic regulation. Through multiple analyses (see. Intervention-research 2 in Table1.), it was made sense of heterogeneity of actions in classifying them and in analyzing a group activity relatively to its specific strategic issues. A functional model of the possible contributions of expertise groups

helped to position and to make sense of differences between them (see figure 1 below). It distinguished between:

- The production of expertise: this is the core of such groups, to develop expertise material through a variety of means. The ends of these means were the two additional summits of the triangle.
- Internal knowledge management: it consists in the formalization and the diffusion of expertise towards the other consultants to help them work with their clients. It can consist of written documents, direct support or intervention on an assignment.
- and Client's development: these are activities which aim at finding new clients, but also to gain the clients' loyalty and to develop on new kinds of clients (different from works' councils).

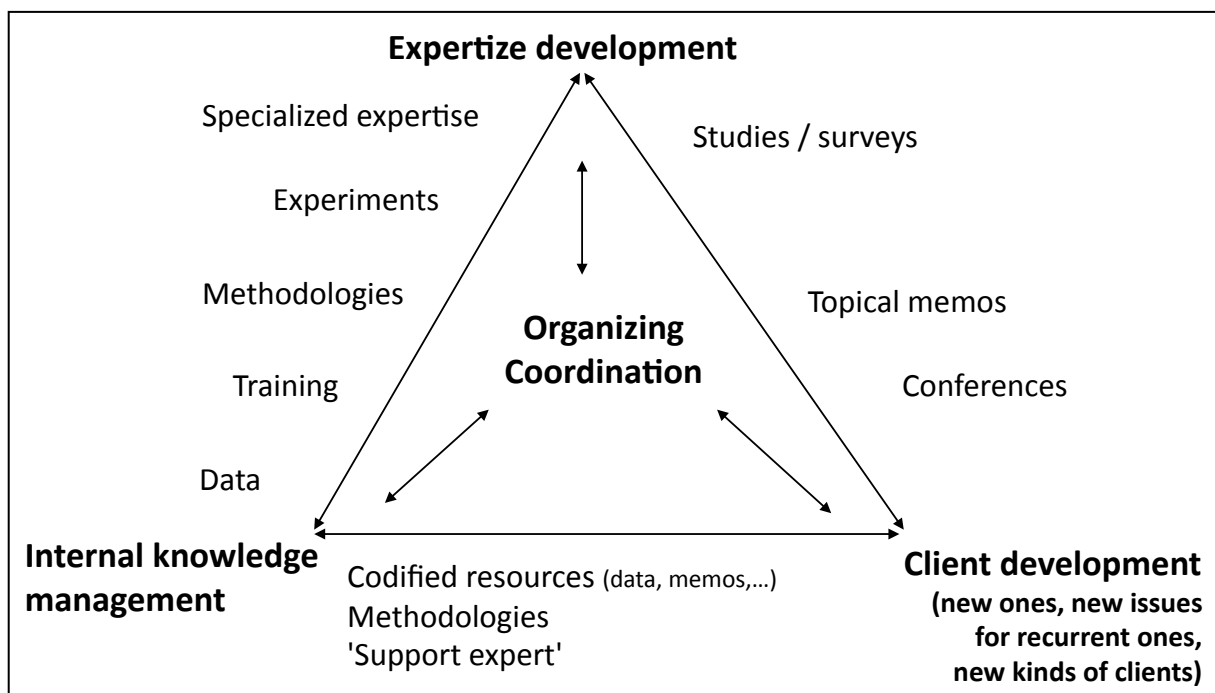


Figure 1. A functional framework for expertise groups in DemEx

This framework allowed demanding groups to elaborate and justify local strategy and to contribute and inscribe them in a corporate strategy. For instance, a large industry expertise group had a lot a clients and recognized expertise development, but only gathered in a few heads. Their strategic priority was then designed as Internal knowledge management to develop young promising consultants while continuing to produce innovative expertise and reaching new clients. In another industry expertise group, much smaller in size, the priority was to gain new clients. The client base was fragile and made it difficult to save time to

capitalize and to produce distinctive expertise. The strategy focused on such client development, by asking a development budget to the firm. It opened the way to corporate investment policies to develop strategic new expertise and services. Overall this clarification helped defined rights and duties for groups, and to design non-elected directors positions. They had to be recognized internally and legitimate in running an expertise group. Then they needed to be approved by the executive board. It means that the executive board has a control function and only intervenes when a problem arises. In the case of expertise management, it was a way of managing the antagonism between competency differentiation and equality between members (often embodied by a system of forced rotation).

Last, debates around executive governance were harsh. Was DemEx unmanageable because of the democratic functioning, i.e. elections and debates? The governance sources of the crisis rather appeared to be under-structuring regarding size and management issues. Executive functions were no longer adapted to growth in size, in organization complexity and in management issues over time: more coordination interactions with a growing number of structures; evolving demands of important external stakeholders; development of new business activities...

Evolutions happened with the creation and the structuration of intermediate structures to support the executive board. A first one was the BU's manager meeting and the second one was the meeting of the directors of expertise groups. Regular meetings were means to organize up- and down-streams of information, and to organize work sessions on strategic perspectives and coordination. These intermediate levels were also a mean to avoid the saturation of board managers with every local issue which could be managed elsewhere through a principle of subsidiarity. Last, it was also a way to reinforce intermediate management positions (especially BU's managers), which were not attractive. If this was a clear step towards more representative democratic regulation for the BU's manager meeting, it was also a way to organize information and discussion in formal arenas whereas they were previously mainly informal or in general agoras which were not relevant for the management of organizational issues.

In parallel of this evolution of governance, the logics and content of the platform voted at the same time as the election of the board managers was rethought. It was no longer considered as a precise program but more as a roadmap. It distinguished between issues which were clarified with solutions to implement or to manage and issues which were to investigate, as

the ones the researchers were involved in. The representation of the latter was important to help sustaining executive functions. They were no longer under the criticisms nor fierce debates on blurry topics. They could organize additional support groups to explore and to organize learning on the issue, before organizing democratic debate.

Since the end of the research, DemEx has reinforced its democratic identity in adopting a co-operative legal form in 2011. The development of the firm has continued, partly through internationalization, since three subsidiaries opened in other European countries.

4. Discussion: explaining the sustainability of DemEx

While in the margin of a classic professional organizational field, DemEx proves the existence of alternative PSFs organized democratically. The in-depth longitudinal analysis also revealed the conditions of DemEx's sustainability. We subsequently shed light on five dimensions that played a role and offered a viable configuration for DemEx's existence and adaptation: environment, strategy, history, membership and organizational capacities to organize exploration and re-design.

Environment: Even if the democratic choice of DemEx is not obvious in its organizational field since its competitors are aligned on a pyramidal organizational form, it is however not illegitimate. The democratic institutional logic (Friedland and Alford 1991) is not out of the legitimate ones. Working mainly with works' councils and trade unions, the "alternative" organizational approach to "conventional" corporate forms is rather well accepted, as long as not associated with anarchy or low service performance. The main expectation from the clients remains the quality of work and service, and the organizational background is secondary. Within the organization, the choice of a democratic organization is a strong identity builder, especially in a context where consultants act as defenders of workers' rights and perspectives. It reinforces a feeling of being the 'Gaul village of Asterix' versus the Empire of financial capitalism. Organizational differentiation is coherent with their business and customer relationships, as long as it allows them to remain competitive, which is precisely what was at stake during the period we studied. The recent adoption of a cooperative

legal status has eventually clarified and concretized the positioning of DemEx in the social economy.

Strategy: PSF are not a unified category with similar strategies and purely identical organizational forms. This statement has been strengthened from the 1980s due to globalization and service extension (Hitt, Bierman et al. 2001), and has been further confirmed by recent work on heterogeneity between and within professional services (Malhotra and Morris 2009; Kipping and Kirkpatrick Accepted for publication). Brock, Powell and Hinings (1999) distinguished three archetypes of PSF by mixing strategy and structure: small PSFs which are the most traditional with solo practice or small partnership and a generalist practice; specialized PSFs (labelled "stars"), which develop mid-sized structures on an industry segment; and multinational PSFs which offer multidisciplinary services and are more incorporated. DemEx is clearly positioned on the middle range, being specialized on a distinctive segment and driven by service innovation, due to the extension of clients' demands, recurring changes in the legal environment and the problems faced by client firms, and a positioning on quality service and local adaptation to each situation. This seems to be the sole sustainable strategic positioning to foster alternative organizing. The first ones' growth and scope appears to be very limited (Lowendahl 2005), as well as their capacity to foster regular innovation. Moreover, differentiation and stratification between professionals is more limited compared to large firms with large parts of commoditized business (Lowendahl 2005). Multinational PSFs also present issues of size, which is a serious impediment to vivid organizational democracy (Luhman 2006), and have strong tendencies towards bureaucratization (Mintzberg 1989). Regarding that point, emerging internationalization in three European countries may be the next challenge for DemEx in its capacity to replicate its model, which is never easy, be it for PSFs in general (Brock and Yaniv 2007), or for cooperative organizations (Bakaikoa, Errasti et al. 2004) in particular.

History: The role of time and history as creating path dependence for organizations is another potential factor explaining the sustainability of DemEx's alternative organization. Path dependence has usually been used to explain how the future of innovations or institutions depends on previous orientations, having their own rationality at a time but sometimes no longer relevant, which remain influential and may even lock-in perspectives of evolution

(Sydow, Schreyögg et al. 2009). It has nevertheless been shown that individuals can shape the evolution in a different way through path creation (Garud and Karnoe 2001). Applied to the case of DemEx, the path dependence/creation framework reveals a mixed evolution. First, there is a clear historical link to self-management which has been maintained through a recruitment policy and a favorable environment during the first periods. The period of DemEx's birth, 1970s, was favorable for self-managing ideas in France and the organization developed very progressively in the first ten years, permitting an incremental structuration without too strong a risk of business failure. We also showed how the division of labour allowed a rather loose coupling between professionals, limiting their interdependence and the amount of issues to govern through democratic devices. But the crisis of this 'intellectual craft' professional organization spurred the need to adapt and to legitimate new forms of organizing and management devices. In this period of governance crisis, conversion to more conventional systems of professional organization were rejected, and only a minority of people considered this option³. There was also no clear demonstration that the performance of a conventional model would be superior to the adaptation of the existing democratic organization. The evolution of the organization model followed the route of the adaptation of the democratic functioning to new performance demands. The legitimization of new practices, new roles and their integration in a democratic governance even created a revivification of democratic regulation by reinforcing collective bounds between professionals.

The overall path may also be interpreted as *path adaptation* within a chosen path which created relative dependences. It is not a whole path creation but it is clearly not a determination of history and external elements on the destiny of DemEx. History created a context with constraints and resources for DemEx to face its crisis but actions and initiatives were determinant to design organizational outcomes and renewal. We subsequently examine membership and organizational processes of redesign as key elements of this process.

Membership:

³ We found no reference in professional services on attempts to convert "conventional" firms into "alternatives" but in other businesses they have mainly been failures Wilkinson, A., M. Marchington, et al. (1994). "ESOP's fables: a tale of a machine tool company." The International Journal of Human Resource Management 5(1), McCaffrey, D. P., S. R. Faerman, et al. (1995). "The Appeal and Difficulties of Participative Systems." Organization Science 6(6): 603-627..

The original self-managing choice has influenced recruitment with a prioritization on committed profiles associated with relevant training and socialization. This is determinant in order to create organizational identity (Battilana and Dorado 2010) and ensure its reproduction (Stryjan 1989) in alternative organizations (respectively hybrid organizations for Battilana and Dorado and self-managing firms for Stryjan). Regular stiff arguments have also to be interpreted in that sense: members are committed and have the will to defend their democratic functioning aside from dominant models. In his book on self-managing organizations (Stryjan 1989), Stryjan extends the famous framework of behaviors towards crises that Hirschman developed (Hirschman 1972). Next to Exit, Voice, and Loyalty, he argues that reactions towards an organizational crisis can also be positive regarding its survival, as Loyalty but also creative, in looking for ways out of the crisis, which he called involvement (see Figure 2 below). This committed and creative behavior is core to the survival of DemEx.

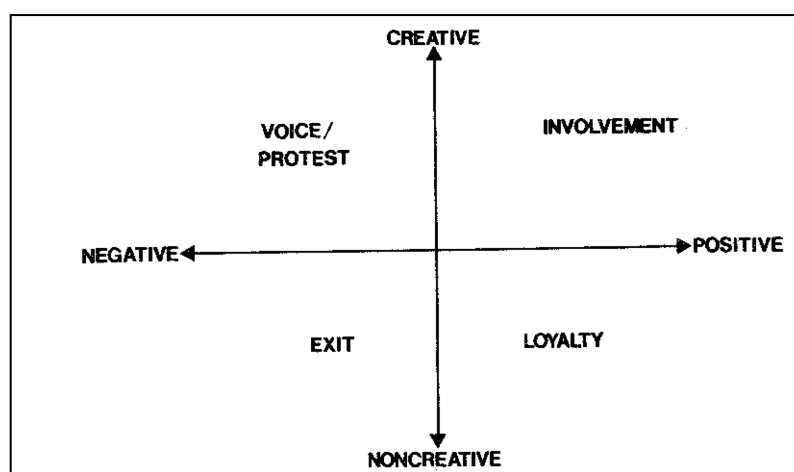


Figure 2. Extension of Hirschman's framework by Stryjan (1989, p74)

Despite some departures, spin-offs and multiple arguments and disagreements, the commitment towards the firm was still present for the majority of the members. Writings on the organizational history (which were a source for our own research), general assemblies, and the organization of apprenticeship and socialization contributed to maintain commitment among members who were recruited for their competencies but also for their supposed fit with the organization over time. We find here that PSFs, through their classical means of socializing and learning foster strong organizational identities and commitment (Lazega 2001;

Alvesson and Robertson 2006; Alvesson and Empson 2008), which appeared to be a precious resource in the case of DemEx.

Organizational processes of redesign

Our last factor of explanation concerns the organizational processes which took place during the period of crisis. Managing change of importance in a PSF is always risky and uncertain (Hinings, Brown et al. 1991; Schilling, Werr et al. 2012), and this question is then of importance. It has also been overlooked in existing studies of regeneration processes in democratic organizations (Stryjan 1994; Cornforth 1995; Varman and Chakrabarti 2004). If tensions and contradictions are always present, the way to handle, and if possible, to avoid degeneration has remained unclear. Changes such as the ones endured by DemEx could have led either to the disappearance of the firm or to its conversion to the dominant model adopted by its competitors. In the case of DemEx, this did not happen. Three elements successively contributed to the outcome of a redesign of roles and the organization.

The first one is the democratic conception within the firm. Democratic functioning in firms can be a possible impediment to change and adaptation when members have a narrow conception of it as a permanent agora (Viggiani 1999). The evolution of DemEx first relies on an adaptive idea of democratic organizing where client service is a driver of change and adaptation. It opened the way to a design approach of the democratic functioning which is necessarily adaptive and partly contingent to the professional activity at stake (Rousseau and Rivero 2003; Kerr 2004).

But this design approach to democracy is not a natural process. In the case of DemEx, a second factor allowed a dedicated work on the tricky issue of adapting the organization to new demands. Traditionally, governance and organizational issues were treated in general assemblies through the content of the mandate. But this was insufficient to deal with issues which were blurry and controversial. The introduction of researchers in this context of crisis through an intervention research can be interpreted as the appearance of a new kind of management action, a mandate of inquiry, which is distinct from a traditional one of implementation. The aim of the mandate of inquiry is to produce knowledge, to make issues discussable and manageable where they previously were not. It is then possible to move to implementation based on clarified and legitimized perspectives.

In this context, the research work contributed to this inquiry through the development of diagnosis and of the models of action that were experimented. Designing and adopting new organizations and roles was a question combining efficiency and democratic legitimacy issues. Beyond tensions, it happens to be possibilities for original solutions taking into account various but incomplete representations. This dynamics has been theorized by Mary P. Follett in Creative Experience (Follett 1924): when two opposite logics are conflicting, there are three possible outcomes: One position dominates the other, but the conflict will reappear; a compromise between two positions is a short-term solution because both parties are frustrated; the resolution of conflicting logics occurs in an innovative approach, called "integrative" by Follett. The evolution of the organization can be seen as such a process through a revivification of the democratic functioning and at the same time a performance-oriented adaptation: by creating more knowledge sharing, a common strategy, by structuring the places of debate, and by enhancing collective solidarity in the same project, it contributed to a renewed embodiment of democratic values and clients service within the firm.

Conclusion and perspectives

The purpose of this paper was to offer insights on the existence and the conditions of sustainability of democratic PSFs. Through a case-study of a long standing mid-size PSF, we explored the conditions and the factors of its adaptation to changes in its environment (new demands, competition). We classified them under 5 categories: a non-coercive environment regarding the organizational form to adopt; a strategy oriented towards quality and service innovation to their clients; an historical path that created an inclination towards democratic adaptation; an active membership organized through recruitment and socialization; the organizing of adaptation thanks to an open conception of organizational democracy, and an exploratory orientation which opened the way to design an 'integrative' solution which reconciles professional performance and democratic functioning.

As an opening perspective, the case-study raises questions on the interpretation of such evolutions within existing frameworks. A debate prevails on the evolution of contemporary PSFs from traditional professional organizations to more bureaucratized organizations (Cooper, Hinings et al. 1996; Powell, Brock et al. 1999). Some argue that even if changes in most PSFs are noticed, the evolution towards bureaucratization is not dramatic (Pinnington and Morris 2003; Ackroyd and Muzio 2007) and is contrasted over different professional

organizational fields (Kipping and Kirkpatrick Accepted for publication). As an extreme case-study, DemEx also contributes to shed light on the variety of change patterns in PSFs. The original organization was what could be labelled a "type-1" professional model, composed of autonomous professionals loosely coupled with light collegial governance. Change has not been towards more hierarchy, but towards a better coupling of professionals and structures in order to organize "collective knowledge" production and management, what would be a "type-2" professional model. If new roles and organizational devices are legitimized and created, an interpretation in terms of bureaucratization may be too straightforward, bypassing the emerging management issues. The transformation of DemEx cannot then be reduced to a simple bureaucratization process without looking at the new issues the adapted organization contributed to take into account. In other words, there would be no collegiality *per se* or bureaucracy *per se* in PSFs, but rather situated mix of collegial and more bureaucratic regulation depending on the management issues at stake and on members' choice. Even if this interpretation is here limited to mid-size PSFs, it could be a perspective to adopt to analyze changes in PSFs organizations in addition to analyses of the markets and of the institutional environments.

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Appendix A.

Table 1. Synthesis of the intervention-researches methods

	Topic	Date	Data production and interpretation	Outcomes
IR 1	Competency crisis?	March 2005- June 2006	56 interviews within 4 business units; readings of productions and discussion with the professionals; internal documents (minutes, assignments records); non-participant observation in meetings. Data first analysis by cross-interpretation from the 3 researchers. Presentation and discussion of analyses in	Diagnosis producing organizational consensus on the causes of the difficulties. Design of a general framework of interpretation within PSF activities. Approach to design renewed organizational models

			each business unit and to board managers.	and devices.
IR 2	Organizing collective knowledge management	November 2006- March 2008	<p>Participation in a working group in a business unit in order to design career interviews adapted to the democratic context. Presentation and discussion with the whole BU's members</p> <p>Non-participant observation of a one-day meeting with directors of expertise groups and board managers</p> <p>Analysis of 4 expertise groups; interviews of the main contributors; analysis and discussion of professional production (studies); internal documents (reporting minutes, strategic orientations)</p> <p>Data first-analysis by cross-interpretation. Presentation and discussion to members of expertise groups, and large diffusion/discussion.</p>	<p>Design and experimentation of a system of career interviews</p> <p>Design of a legitimate and consensual organizational model for expertise groups.</p>
IR 3	Roots of governance crisis?	March – September 2007	14 interviews with current and former board managers, business unit's managers, HR managers; study of a written history of DemEx; 40	Diagnosis producing organizational consensus on the causes of the difficulties.

			<p>posts on the Intranet forum; written productions of the supervisory board.</p> <p>Data first analysis by cross- interpretation. Presentation and discussion of analyses to the supervisory board and to 2 ad-hoc groups dedicated to this issues.</p>	<p>Organizational design of a renewed governance, which has been mainly implemented.</p>
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